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STATISTICAL BULLETIN

Volume 17, No. 7, July, 1984

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The Conference Board

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COMMENT

How deceptive can statistics be? Consider that almost every major league baseball player who has struck out more than 2,700 times is either in the Hall of Fame or assumed to be a very good candidate for induction once his career ends. That is not as odd as it sounds. Anyone who can hang around long enough to strike out that many times must be contributing a lot to the team's successes. Those called upon to generate an *Economic Forecast* every month suffer the fate of knowing that a good deal of what they predict will be wrong, and all of it will be second-guessed. Why pay attention to a group with such a poor batting average? Even the most farsighted prognosticator is severely tested by the fast balls of strong consumer confidence supporting exuberant household demand, the curve balls of rapid output gains despite near-capacity operations, and the occasional screwball from either the fiscal or monetary side of the mound. These forecasters have been at bat in such situations many times before and are once again facing difficult and volatile pitches tossed out by the business cycle.

Given massive doses of fiscal and monetary stimulus, real output growth has been more than robust ever since the economy began to turn around in September, 1982. Consumers, rock solid in the belief that the business outlook could only brighten, spent their incomes, and unhesitatingly pulled out their charge cards when cash ran short, to make purchases they had cautiously put on hold from 1980 to 1982. The *Economic Forecasts,* however, have been saying for some time now that consumers' pent-up demand would begin to run dry, that the Federal Reserve would start to rein in money growth lest this rambunctious expansion overheat, and that the massive doses of fiscal stimulus would be subsiding. These forces were supposed to begin biting into economic growth in the second half of this year. For the last eight months, the median of the forecasts has been for a little more than 4½% growth in real GNP from the last quarter of 1983 to the last quarter of 1984 (see the accompanying chart), with inflation running a little under 5% and an unemployment rate that would improve to only about 7.4% by the end of 1984.

It is beginning to look as though the forecasters may be wrong for the right reason. There has indeed been some erosion in buoyant consumer attitudes, and demand appears to be no longer accelerating. The Conference Board's *Consumer Confidence Index* stood at 98.4 (1969-1970 = 100) in January, but had been trending a little lower than that through the first half of the year. The *Expectations Index,* a component that measures households' attitudes as to where business conditions are headed six months hence, declined from 121.9 in January, to 106.7 in June. These readings suggest that consumers remain optimistic about the economy's performance—just not as robustly optimistic as they were in the early recovery stage. By the same token, consumer demand remains strong, but is not rising month after month as was the case in the early recovery. The pace of consumer demand, then, has slowed, confirming the accuracy of prior forecasts.

One could also argue that monetary policy is in the throes of some tightening, although as is routinely the case in such matters, the argument is less than conclusive. The basic money supply, M1 (demand deposits plus currency), has continued to expand at the top end of the Federal Reserve's target range (growth of between 4% and 8% from November, 1983, to November, 1984). Growth in the more inclusive aggregate, M2 (M1 plus time and savings deposits), is currently running below its target range (between 6% and 9% over the same 12-month span). On the other hand, the Monetary Base (defined as currency plus assets on deposit at the Federal Reserve, but usually referred to as high-powered money or the basic ingredient necessary for money supply expansion) has actually accelerated in recent weeks. The monetary authorities certainly want to avoid pumping so much money into the expansion that the bottled-up inflation genie escapes. Jerking money growth back into line too abruptly, however, could choke off momentum in key sectors; this is especially critical with regard to the boom in capital investment now underway. Fear of a premature demise of the expansion appears to outweigh fear of potential inflation. Consequently, the brakes have not been applied to money growth just yet.

The price of money, on the other hand, continues to reach new heights. The prime interest rate was at 11½% at the start of the new year, but climbed to 13% by midyear. The Federal Funds rate—the rate at which banks borrow from other banks—had been in a 10-to-10½% range in the last few months but moved above 11% by the end of June, and to about 11.3% in early July. It seems obvious, given the scant reining in of money growth as yet, that the rise in interest rates is being relied on to check credit demand.

Strong fiscal stimulus is beginning to wane. The *Perspective of the Federal Budget* chart shows that The Conference Board's estimate of *Fiscal Thrust*—the measure of the initial impact of the budget on the economy—began to diminish in the first half of this year. These estimates were made before agreement was reached on the deficit-

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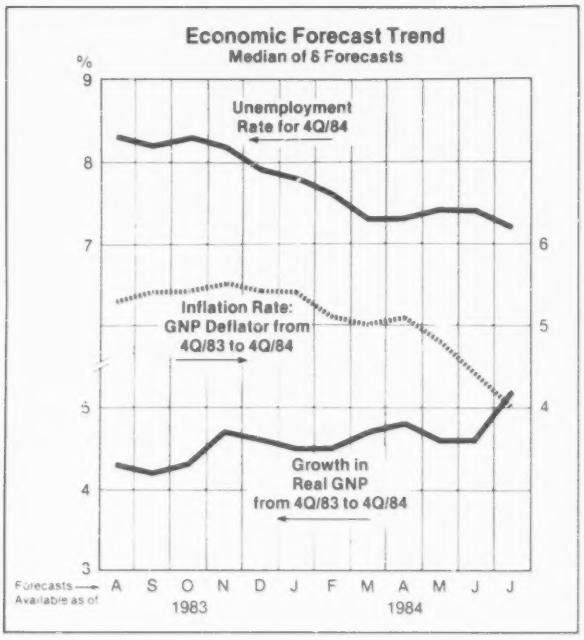

Economic Forecast Trend
Median of 8 Forecasts
%
Unemployment Rate for 4Q/84
Inflation Rate: GNP Deflator from 4Q/83 to 4Q/84
Growth in Real GNP from 4Q/83 to 4Q/84
Forecasts Available as of
A S O N D J F M A M J J
1983
1984

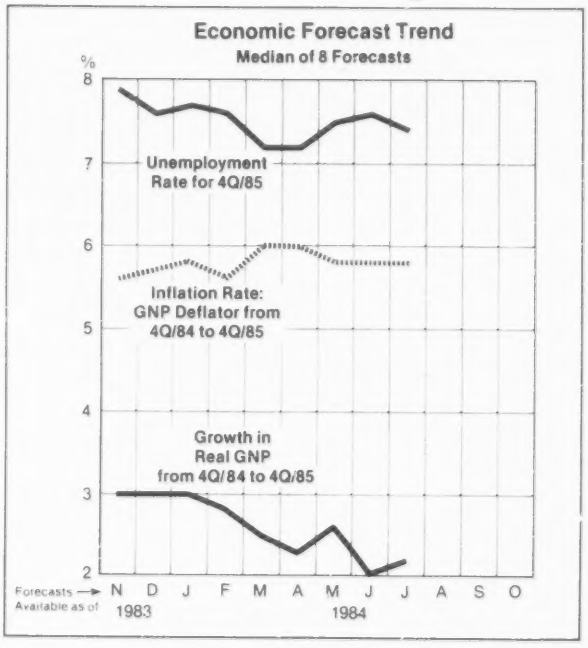
reducing down payment (raising some taxes and lowering some spending). That agreement undoubtedly cuts fiscal stimulus for the second half of the year and beyond. Less consumer-demand growth, less fiscal stimulus, and some tightening of monetary policy, together with industry operating at near capacity, all ought to be grounds for expecting some slowing in the overall pace of activity. Each new report, however, shows no letup of expansion.

The *Economic Forecasts* now indicate that, following a very sizable 9.7% rise in the first quarter of this year, real output grew by 5.7% in the second quarter (seasonally adjusted at annual rates). Further, industrial production continued to expand by at least ½% per month through June, even as already-tight operating rates inched a little higher. These strong gains in production generated enough new jobs to allow the unemployment rate to fall from 7.8% in April to 7.1% in June. Yet, The Conference Board's *Help-wanted Index,* a measure of labor demand, remained fairly flat through the first half of the year. In normal periods, tight operating conditions would be expected to generate more of an increase in labor-demand measures but fewer jobs as well as somewhat smaller gains in production and some upward pressure on prices. In each instance, however, the data contradict the expectation. These are the kind of pitches that tend to lower the forecaster's batting average.

With increases in consumer demand slowing, increases in output are feeding a very healthy business appetite for inventory, a surge in capital-investment demand (see the *Capital Appropriations and Expenditures* table) and strong Federal Government demand for goods, especially defense-related material. The revised outlook suggests that consumer demand will remain somewhat dampened, that inventory buildup is largely completed, that Federal Government demand will taper, but that business-investment growth will not abate—at least not before this time next year. The *Economic Forecasts* now show real GNP rising 5.2% from the fourth quarter of 1983 to the fourth quarter of 1984, inflation remaining subdued at about a 4% pace in this four-quarter span, and the unemployment rate improving to 7.2% by the end of this year (that number obviously was arrived at before the June statistic was released).

The very strong performance of the economic expansion to date, and perhaps the fact that it continues to outperform most expectations, has sent a strong dollar even higher in international exchange markets. That overvalued dollar acts as a magnet for imports but impedes exports. The economic drag from an overvalued dollar and large trade deficits have not had noticeable impact on the domestic economy largely because the stimulative *Fiscal Thrust,* mentioned earlier, has drowned it out. As *Fiscal Thrust* diminishes, however, that lower stimulus and the high dollar along with trade deficits, and the high level of interest rates, will slow down the fast-track expansion. The median of the *Economic Forecasts* indicates that real output will grow by only a sluggish 2.2% annual rate from the fourth quarter of 1984 to the fourth quarter of 1985 (see the accompanying chart), inflation will move up to only about a 5.8% rate in this four-quarter span, and unemployment, which will probably rise later this year and into next year before improving again, will likely reach 7.4% by the end of 1985.

Ken Goldstein
July 11, 1984


Economic Forecast Trend
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Inflation Rate: GNP Deflator from 4Q/84 to 4Q/85
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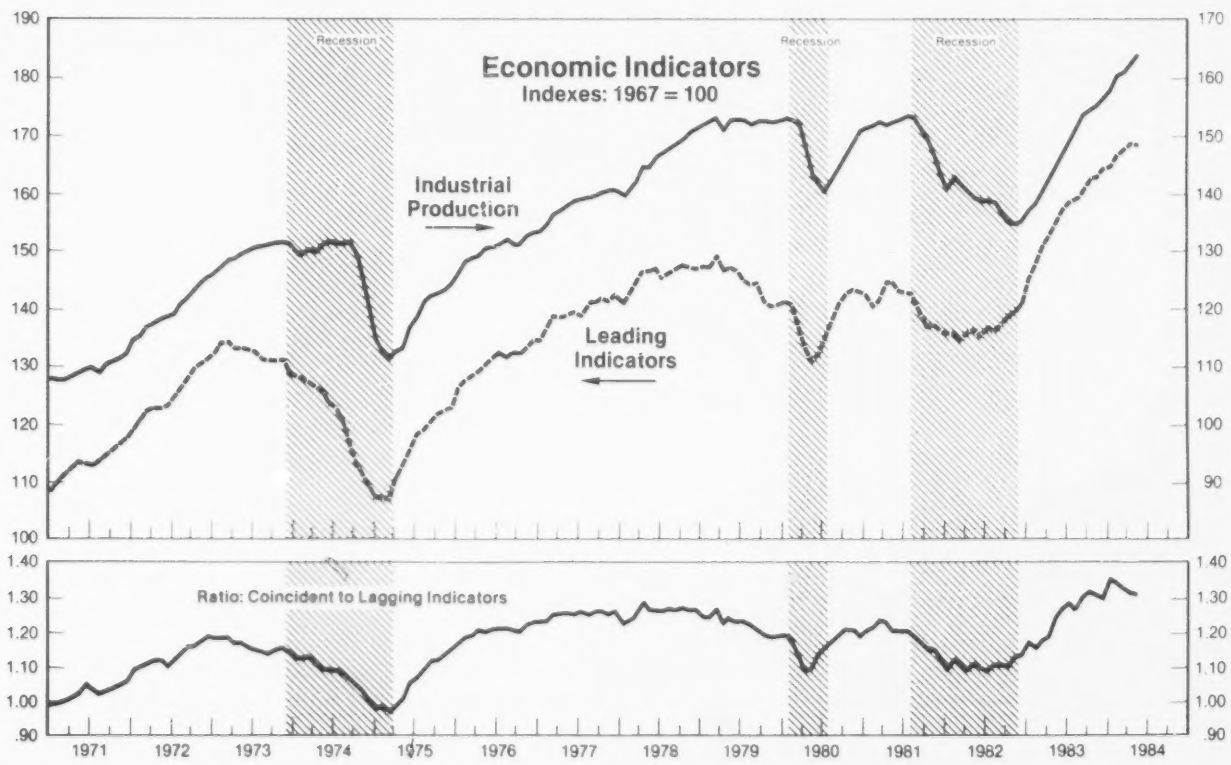
Forecasts Available as of
N D J F M A M J J A S O
1983
1984

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May		X		+ 0.7%	+ 8.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May	X			+ 8.9%	+ 19.6%
New orders, nondefense capital goods (deflated)	May	X			+ 4.6%	+ 28.6%
*New business formation	May			X	— 2.4%	+ 1.2%
*Housing permits	May			X	— 8.2%	+ 5.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	— 1.3%	+ 13.0%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 14.2%	+ 39.1%
Purchasing agents' buying policy	June			X	— 6 %	+ 8 %
*Vendor performance, reported slower deliveries	May		X		+ 2 %	+ 18 %
Industrial raw materials prices	June			X	— 0.9%	+ 14.6%
*Change in sensitive material prices	May			X	— 0.2%	— 1.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May	X			+ 0.8%	+ 3.1%
Change in business loans	May	X			+ 34.6%	+ 130.0%
*Change in credit outstanding	Apr.	X			+ 20.8%	+ 11.5%
Change in consumer installment debt	Apr.	X			+ 23.3%	+ 52.4%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 5.9%	+ 38.3%
*Common stock prices	June			X	— 2.6%	— 7.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	June			X	— 0.1hr	+ 0.5hr
*Initial unemployment claims (inverted)	June		X		+ 1.4%	+ 15.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



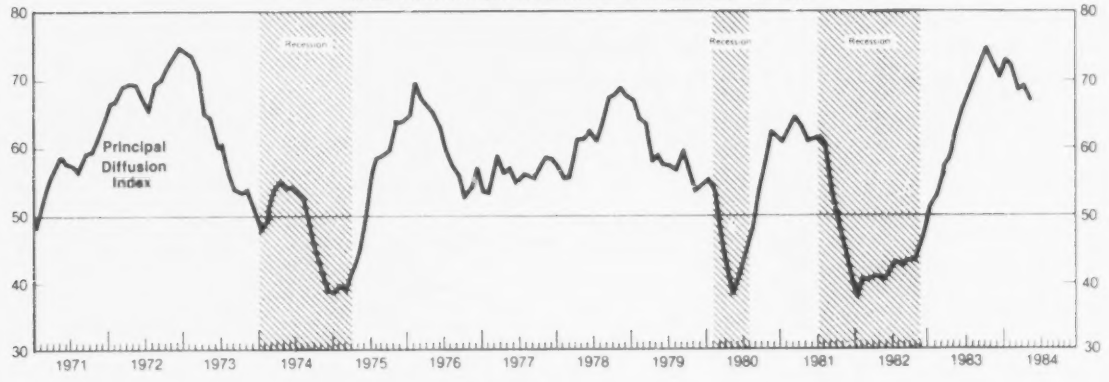
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 May	1984 Feb.	1984 Mar.	1984 Apr.	1984 May(e)
Principal Diffusion Index	61.8	72.1	68.2	69.7r	67.1
Auxillary Diffusion Index	63.1	47.8	37.4	54.9r	41.7
Industrial Group	61.5	78.7	74.9	72.4	68.4
Nonindustrial Group	62.0	65.5	61.5	67.1r	65.9
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.1	62.0	61.3	66.2	55.3
Labor	57.9	86.3	78.1	75.3	75.4
Miscellaneous	71.2	84.6	87.2	74.4	70.5
Nonindustrial Subgroups					
Prices	64.7	57.7	63.5	69.2	66.7
Consumer	72.6	75.6	68.8	73.1	76.9
Building	51.9	61.5	60.3	60.0r	55.8
Miscellaneous	56.2	63.2	53.8	60.3	61.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981	*1982*				*1983*				*1984*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	43	47	52	55	60	70	76	75	74	70	65
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	26	23	30	38	44	65	76	82	80	76	75
2. Expectations for Economy, Six Months Ahead	51	59	64	65	70	76	78	74	73	67	60
Expectations for Own Industry, Six Months Ahead	52	58	61	61	65	70	72	69	70	67	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

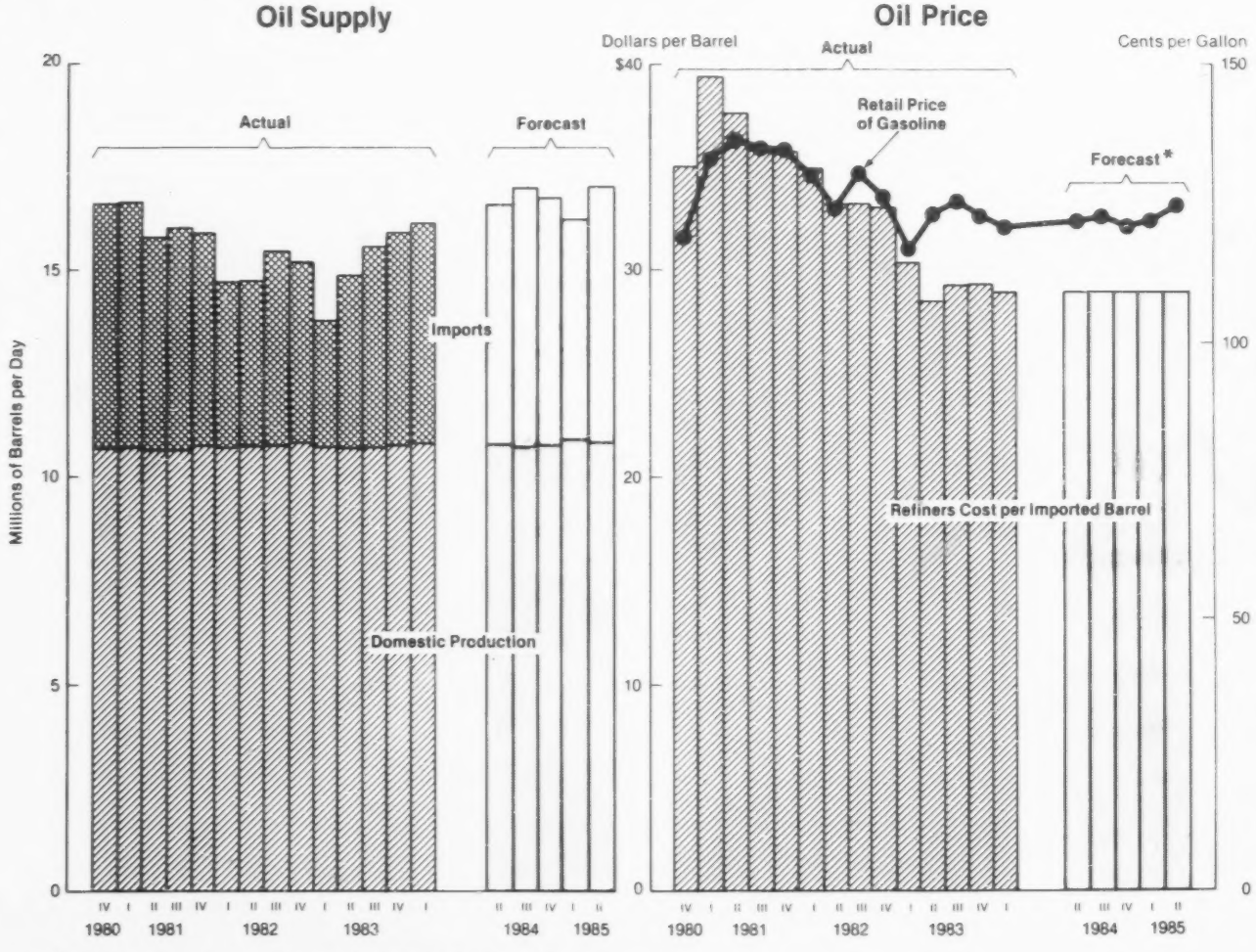
	1982		1983				1984	Percent Change From Previous Year		
	III	IV	I	II	III	IVr	Ip	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	18.439	21.488	20.176	20.633	22.200	25.170	27.880	-18	1	17
Capital expenditures	23.991	22.887	18.841	18.643	18.072	20.033	19.585	- 3	-23	25
Change in appropriations backlog*	- 8.726	- 3.395	- 0.716	+ 1.121	+ 1.008	+ 1.503	+ 6.330			
Durable Goods										
New appropriations	7.724	8.238	8.197	9.453	8.843	11.331	13.927	-24	17	6
Capital expenditures	9.684	8.949	7.918	7.655	7.594	8.919	8.620	- 7	-19	31
Change in appropriations backlog*	- 4.556	- 1.351	- 0.606	+ 1.291	+ 0.929	+ 1.112	+ 4.306			
Nondurable Goods										
New appropriations	11.215	13.250	11.979	11.180	13.357	13.839	13.953	-14	- 9	25
Capital expenditures	14.307	13.938	10.923	10.988	10.478	11.114	10.965	0	-26	21
Change in appropriations backlog*	- 4.170	- 2.044	- 0.110	- 0.170	+ 0.079	+ 0.391	+ 2.024			
ELECTRIC & GAS UTILITIES										
New appropriations	10.624	9.939	7.664	6.713	5.771	7.200	5.338			
Capital expenditures	8.905	9.384	9.041	9.292	9.043	8.366	8.703			
Change in appropriations backlog*	+ 0.504	- 4.709	- 4.812	- 7.024	- 3.925	- 3.758	- 4.832			

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

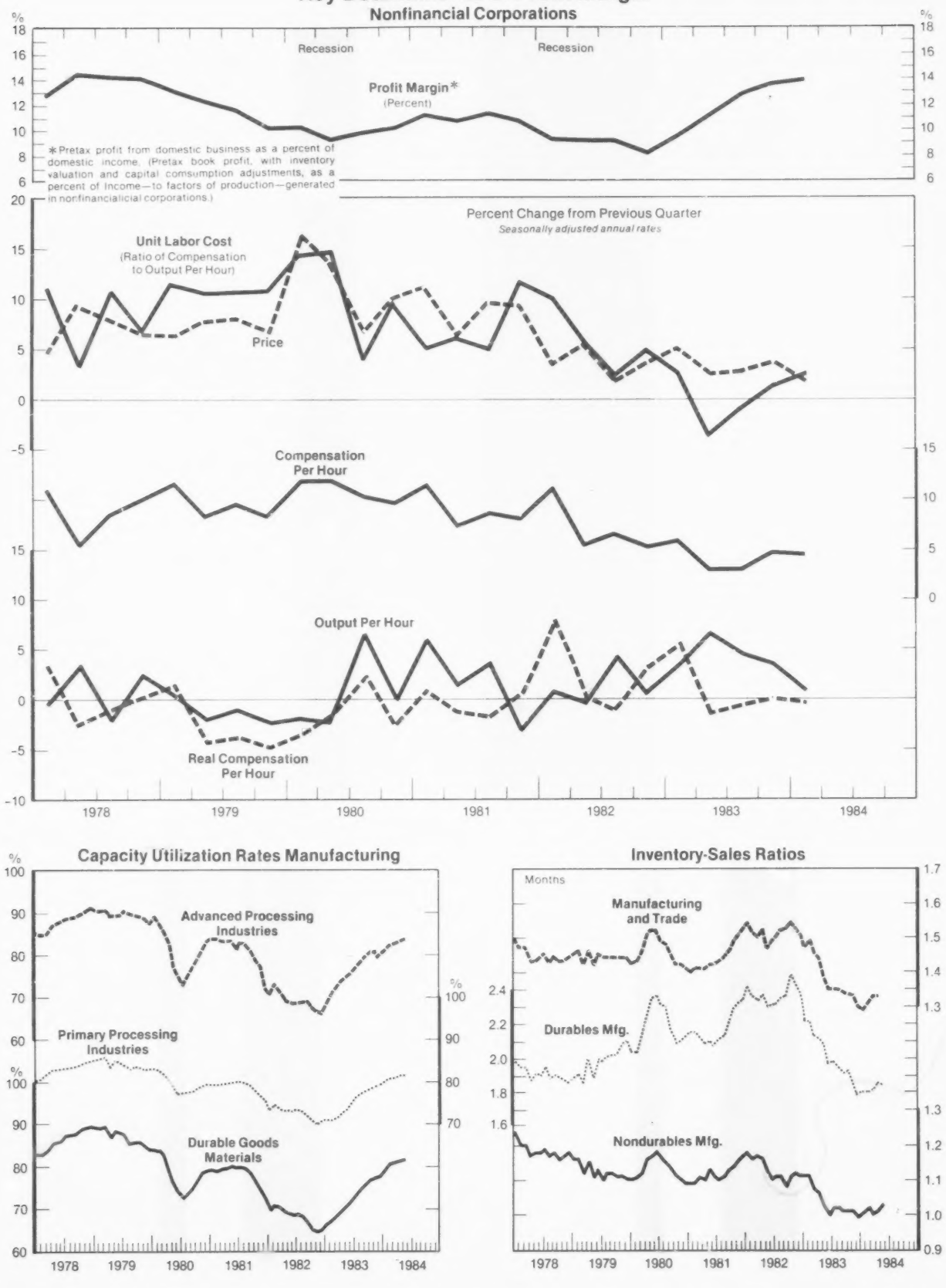
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.



*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*June, 1984*		*May, 1984*		*June, 1984*		*June, 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**I**	**$3550.1**	**13.9%**			**$3550.1**	**13.9%**	**$3550.1**	**13.9%**
		II	3624.8	8.7	3601.9	7.0	3624.7	8.7	3625.7	8.8
		III	3697.9	8.3	3692.8	10.5	3680.3	6.3	3709.2	9.5
		IV	3777.4	8.9	3779.8	9.8	3743.2	7.0	3789.0	8.9
	1985	I	3859.4	9.0	3868.5	9.7	3836.4	10.3	3875.5	9.4
		II	3925.3	7.0	3949.5	8.6	3922.3	9.3	3959.6	9.0
		III	3997.2	7.5	4001.5	5.4	4011.4	9.4	4039.5	8.3
		IV	4080.9	8.6	4071.8	7.2	4101.6	9.3	4113.0	7.5
	1986	I	4169.2	8.9			4118.0	8.7		
		II	4262.5	9.3			4288.9	10.0		
	1984	Annual	3662.6	10.6	3654.0	10.4	3649.6	10.2	3668.5	10.8
	1985	Annual	3965.7	8.3	3972.8	8.7	3967.9	8.7	3996.9	9.0
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**I**	**$1609.3**	**9.7%**			**$1609.3**	**9.7%**	**$1609.3**	**9.7%**
		II	1631.8	5.7	$1613.9	2.0	1632.0	5.8	1632.7	5.9
		III	1647.3	3.9	1630.3	4.1	1643.0	2.7	1650.0	4.3
		IV	1661.1	3.4	1643.7	3.3	1649.0	1.5	1663.3	3.3
	1985	I	1677.1	3.9	1662.2	4.6	1668.0	4.7	1675.3	2.9
		II	1685.1	1.9	1662.2	.0	1687.0	4.6	1688.3	3.1
		III	1694.1	2.2	1659.1	-0.7	1707.0	4.8	1697.5	2.2
		IV	1704.1	2.4	1665.6	1.6	1727.0	4.8	1703.4	1.4
	1986	I	1715.3	2.7			1745.0	4.2		
		II	1727.8	2.9			1765.0	4.7		
	1984	Annual	1637.4	6.7	1623.5	5.7	1633.3	6.4	1638.8	6.7
	1985	Annual	1690.1	3.2	1662.3	2.4	1697.3	3.9	1691.1	3.2
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**I**	**220.6**	**3.9%**			**220.6**	**3.9%**	**220.6**	**3.9%**
		II	222.1	2.8	223.2	4.9	222.1	2.8	222.1	2.7
		III	224.5	4.3	226.5	6.1	224.0	3.5	224.8	5.0
		IV	227.4	5.3	230.0	6.2	227.0	5.5	227.8	5.4
	1985	I	230.1	4.9	232.7	4.9	230.0	5.4	231.3	6.3
		II	232.9	5.0	237.6	8.6	232.5	4.4	234.5	5.6
		III	235.9	5.3	241.2	6.2	235.0	4.4	238.0	6.0
		IV	239.5	6.1	244.5	5.6	237.5	4.3	241.5	6.0
	1986	I	243.1	6.1			240.0	4.3		
		II	246.7	6.1			243.0	5.1		
	1984	Annual	223.7	3.7	225.0	4.4	223.4	3.6	223.8	3.8
	1985	Annual	234.6	4.9	239.0	6.2	233.7	4.6	236.3	5.6
Unemployment Rate										
Actual	**1984**	**I**	**7.9%**		**7.9%**		**7.9%**		**7.9%**	
		II	7.6		7.6		7.6		7.6	
		III	7.3		7.4		7.4		7.3	
		IV	7.1		7.2		7.2		7.0	
	1985	I	7.0		7.2		7.0		6.9	
		II	7.0		7.3		6.9		6.9	
		III	7.1		7.6		6.8		7.0	
		IV	7.2		7.7		6.7		7.0	
	1986	I	7.3				6.8			
		II	7.3				6.8			
	1984	Annual	7.5		7.5		7.5		7.4	
	1985	Annual	7.1		7.5		6.9		7.0	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (first revision) first quarter data.

[2]Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

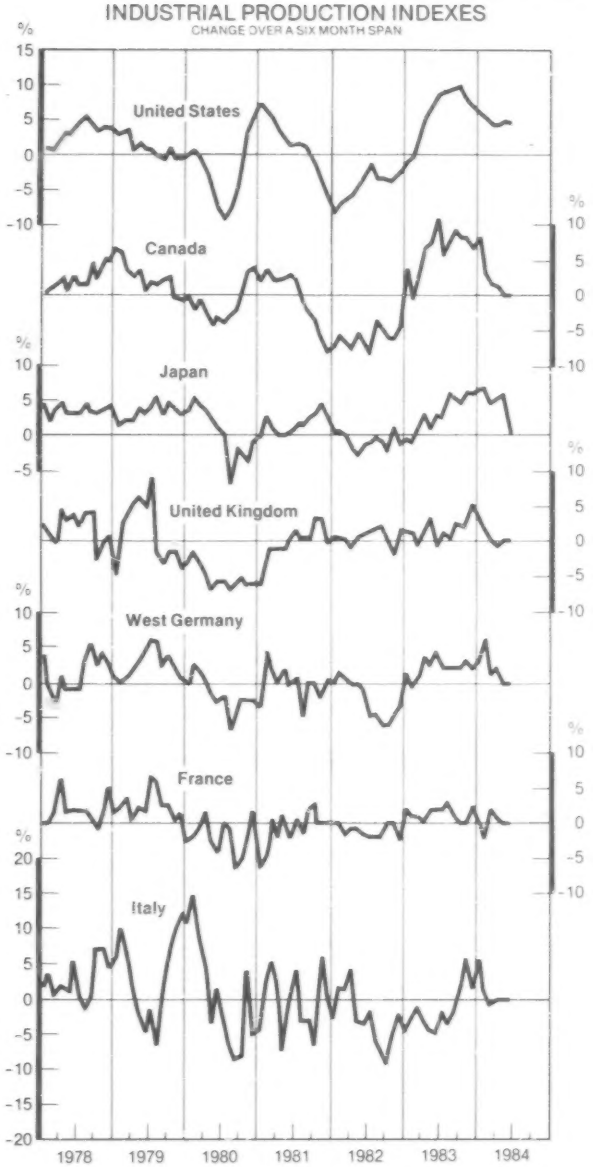
The Conference Board[2]		Chase Econometric Associates, Inc[2].		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
June, 1984		June, 1984		June, 1984		June, 1984		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$3550.1	**13.9%**	**$3550.1**	**13.9%**	**$3550.1**	**13.9%**	**$3550.1**	**13.9%**	**I**	**1984**	**Actual**
3625.0	8.7	3616.4	7.7	3624.8	8.7	3629.6	9.3	II		
3694.0	7.8	3684.8	7.8	3692.6	7.7	3711.6	9.3	III		
3751.0	6.3	3756.8	8.0	3756.1	7.1	3786.0	8.3	IV		
3789.0	4.1	3829.3	7.9	3818.9	6.9	3872.5	9.5	I	1985	
3845.0	6.0	3879.5	5.3	3855.5	5.0	3939.8	7.1	II		
3940.0	10.3	3928.4	5.1	3921.7	5.9	4010.2	7.3	III		
4042.0	10.8	3998.6	7.3	3993.9	7.6	4083.7	7.5	IV		
		4095.2	10.0	4074.3	8.3	4142.0	5.8	I	1986	
		4186.8	9.3	4162.6	9.0	4194.1	5.1	II		
3655.0	10.4	3652.0	10.3	3655.9	10.4	3669.3	10.8	Annual	1984	
3904.4	6.8	3909.0	7.0	3900.0	6.7	3976.6	8.4	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1609.3	**9.7%**	**$1609.3**	**9.7%**	**$1609.3**	**9.7%**	**$1609.3**	**9.7%**	**I**	**1984**	**Actual**
1631.8	5.7	1628.0	4.7	1631.8	5.7	1633.0	6.0	II		
1645.2	3.3	1642.5	3.6	1645.4	3.4	1652.0	4.7	III		
1651.2	1.5	1654.2	2.9	1655.8	2.6	1666.7	3.6	IV		
1647.2	-1.0	1662.7	2.1	1663.6	1.9	1681.2	3.5	I	1985	
1651.3	1.0	1663.3	.1	1665.9	.6	1688.5	1.7	II		
1670.6	4.8	1664.7	.3	1671.1	1.3	1694.2	1.4	III		
1690.3	4.8	1672.0	1.8	1679.4	2.0	1698.7	1.1	IV		
		1685.9	3.4	1690.3	2.6	1697.8	- .2	I	1986	
		1702.3	3.9	1703.6	3.2	1696.9	- .2	II		
1634.4	6.5	1633.5	6.4	1635.6	6.5	1640.3	6.8	Annual	1984	
1664.8	1.9	1665.7	2.0	1670.0	2.1	1690.7	3.1	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
220.6	**3.9%**	**220.6**	**3.9%**	**220.6**	**3.9%**	**220.6**	**3.9%**	**I**	**1984**	**Actual**
222.1	2.8	222.1	2.8	222.1	2.8	222.3	3.1	II		
224.5	4.4	224.3	4.0	224.4	4.2	224.7	4.4	III		
227.2	4.8	227.1	5.0	226.8	4.4	227.2	4.5	IV		
230.0	5.1	230.3	5.8	229.6	4.9	230.3	5.7	I	1985	
232.9	5.0	233.2	5.2	232.0	4.4	233.3	5.3	II		
235.8	5.2	236.0	4.8	234.7	4.6	236.7	5.9	III		
239.1	5.6	239.2	5.5	237.8	5.5	240.4	6.4	IV		
		242.9	6.4	241.0	5.5	244.0	6.1	I	1986	
		245.9	5.1	244.3	5.6	247.2	5.4	II		
223.6	3.7	223.5	3.7	223.5	3.7	223.7	3.8	Annual	1984	
234.5	4.9	234.7	5.0	233.5	4.5	235.2	5.2	Annual	1985	
								Unemployment Rate		
7.9%		**7.9%**		**7.9%**		**7.9%**		**I**	**1984**	**Actual**
7.7		7.5		7.6		7.5		II		
7.6		7.2		7.3		7.4		III		
7.5		7.0		7.2		7.2		IV		
7.7		7.2		7.2		7.0		I	1985	
7.8		7.6		7.4		6.9		II		
7.5		8.0		7.6		7.1		III		
7.3		8.5		7.7		7.4		IV		
		8.5		7.8		7.7		I	1986	
		8.4		7.9		7.9		II		
7.7		7.4		7.5		7.5		Annual	1984	
7.6		7.6		7.5		7.1		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

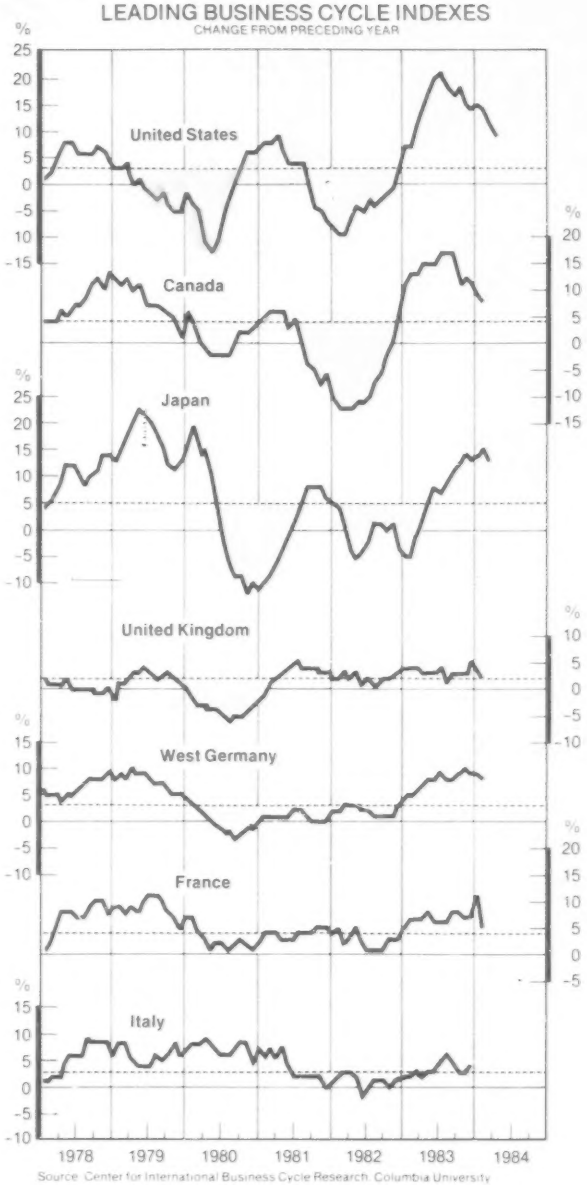
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR



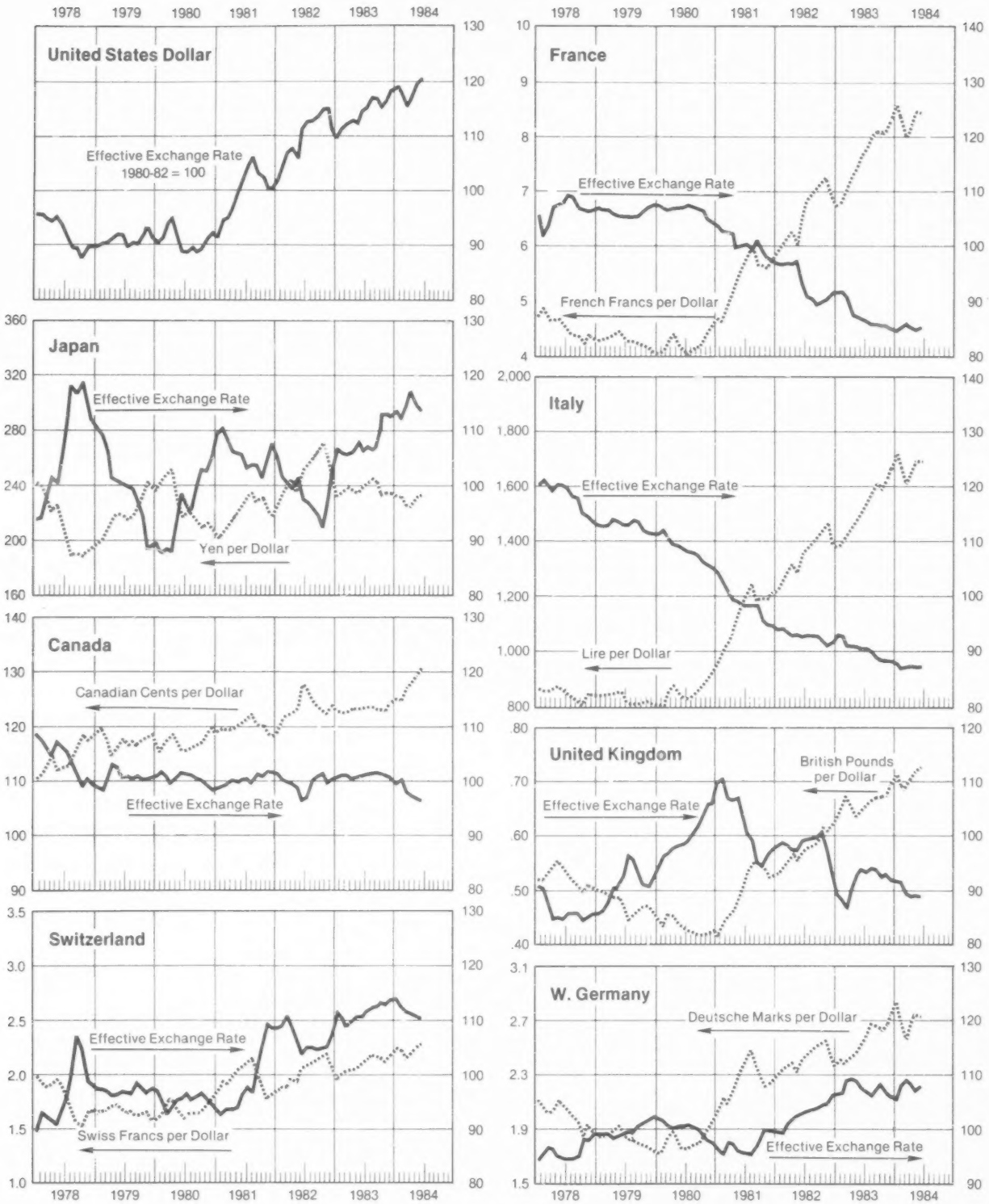
Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES

Foreign Exchange Rates

Indexes: 1980-82 = 100



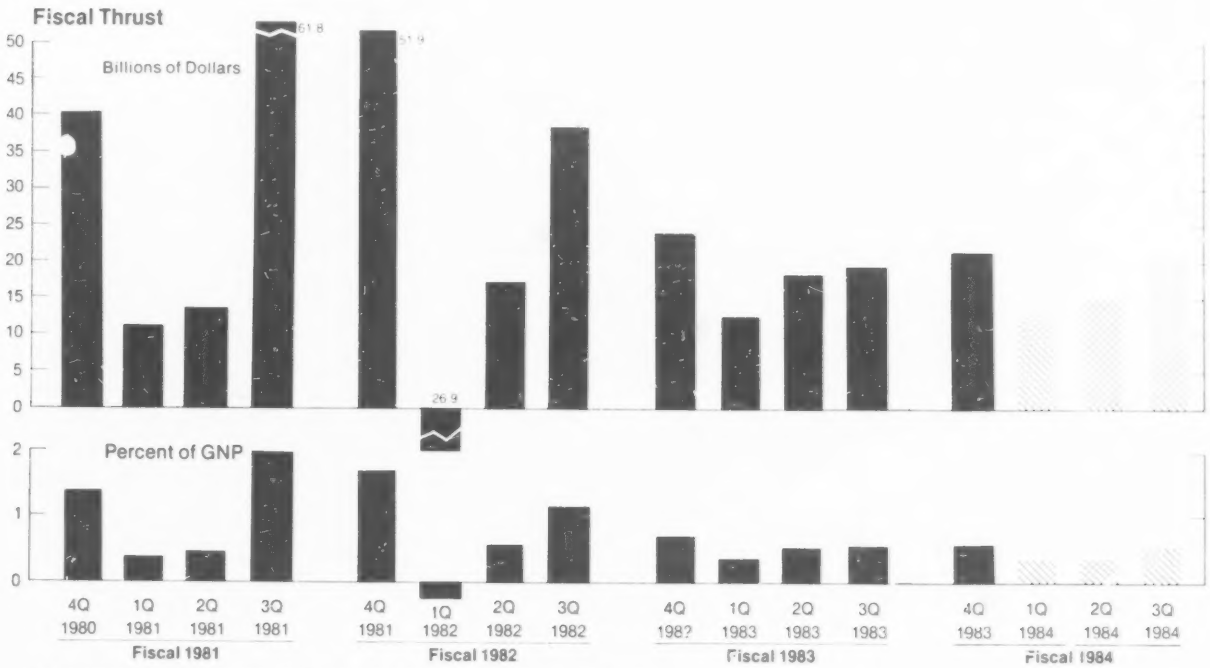
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

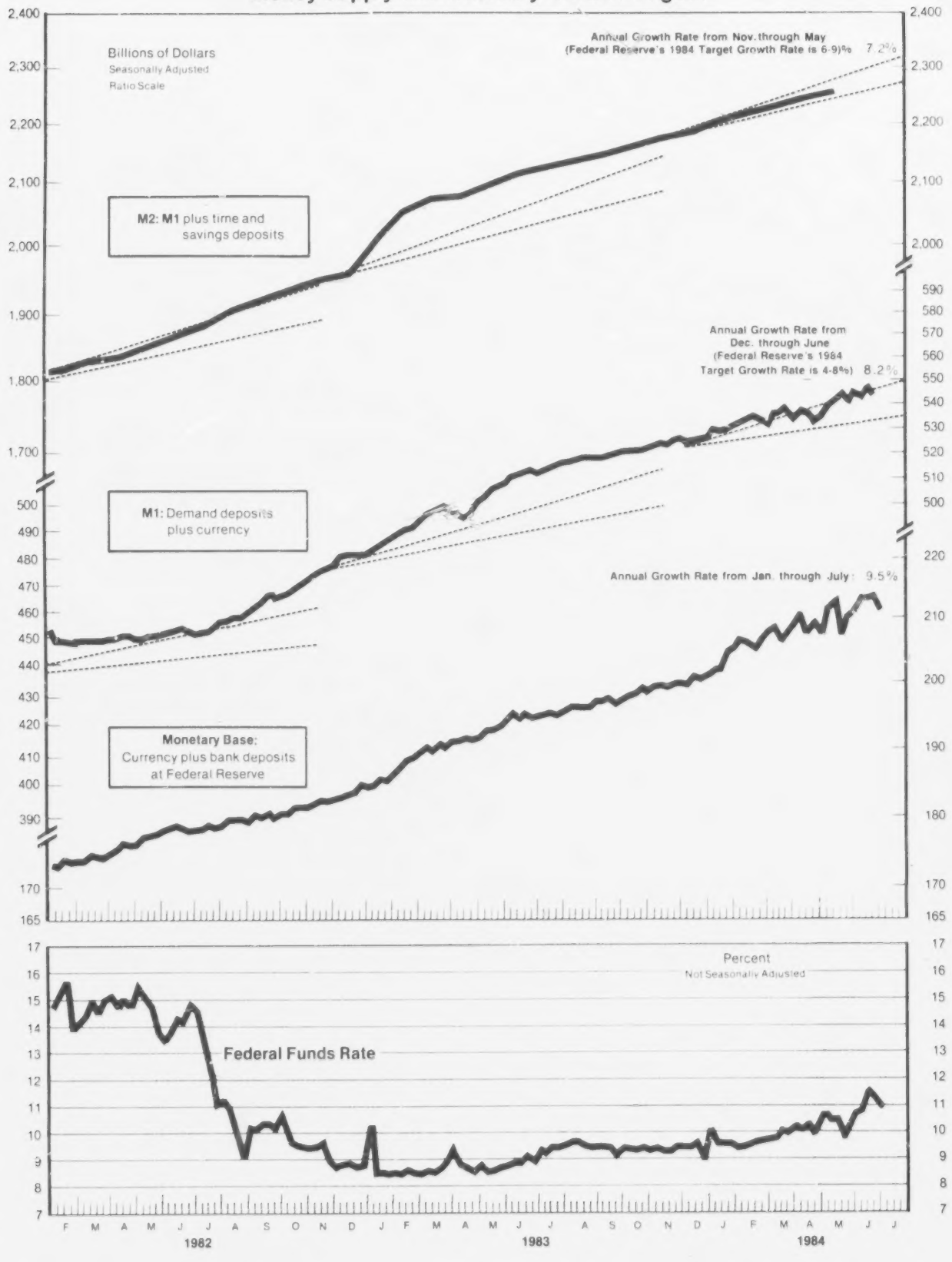
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual (2/1/84)	President's Proposal (4/10/84)	Congressional Estimate (2/7/84)	Current Service (2/1/84)	President's Proposal (4/10/84)	Congressional Estimate (2/7/84)
Receipts	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Outlays	**796.0**	**850.5**	**853**	**944.9**	**932.0**	**927**
Deficit	**-195.0**	**-177.8**	**-190**	**-207.7**	**-179.0**	**-193**
Receipts by source	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Individual income taxes	288.9	296.0	294	323.4	331.9	329
Corporate income taxes	37.0	65.7	62	75.5	77.0	65
Social insurance	209.0	241.5	237	269.0	271.2	269
Other receipts	65.7	69.5	70	69.4	73.0	71
Outlays by function	**796.0**	**850.5**	**835**	**944.9**	**932.0**	**927**
National defense	209.9	237.6	235	284.2	272.0	263
Social security and medicare	223.3	239.6	241	261.4	259.6	260
Income security	122.2	95.1	97	116.9	112.7	115
Health	28.7	30.5	31	34.4	32.7	34
Education and manpower	26.6	28.4	28	29.0	28.0	29
Transportation	21.4	25.9	27	27.4	27.0	27
Veterans' benefits	24.8	26.0	26	26.6	26.6	26
International affairs	9.0	13.1	11	14.1	17.6	12
National resources and environment	12.7	12.4	12	11.8	11.5	12
Agriculture	22.2	9.6	10	14.3	16.5	12
General science	7.7	8.2	8	8.4	8.7	9
Community development	6.9	7.5	8	7.7	7.7	8
Revenue sharing	6.5	6.7	7	6.8	6.6	7
General government	4.8	5.4	6	5.7	5.7	6
Justice	5.1	5.9	6	6.2	6.1	6
Energy	4.0	2.6	3	3.4	2.8	4
Commerce and housing credit	4.4	3.1	4	1.6	0.6	3
Interest	89.8	109.5	108	117.9	123.0	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-16.5	-16	-34.6	-34.4	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, "The Federal Budget: Its Impact on the Economy (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Nov. through May
(Federal Reserve's 1984 Target Growth Rate is 6-9)% 7.2%
M2: M1 plus time and savings deposits
Annual Growth Rate from Dec. through June
(Federal Reserve's 1984 Target Growth Rate is 4-8%) 8.2%
M1: Demand deposits plus currency
Annual Growth Rate from Jan. through July: 9.5%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J
1982
1983
1984

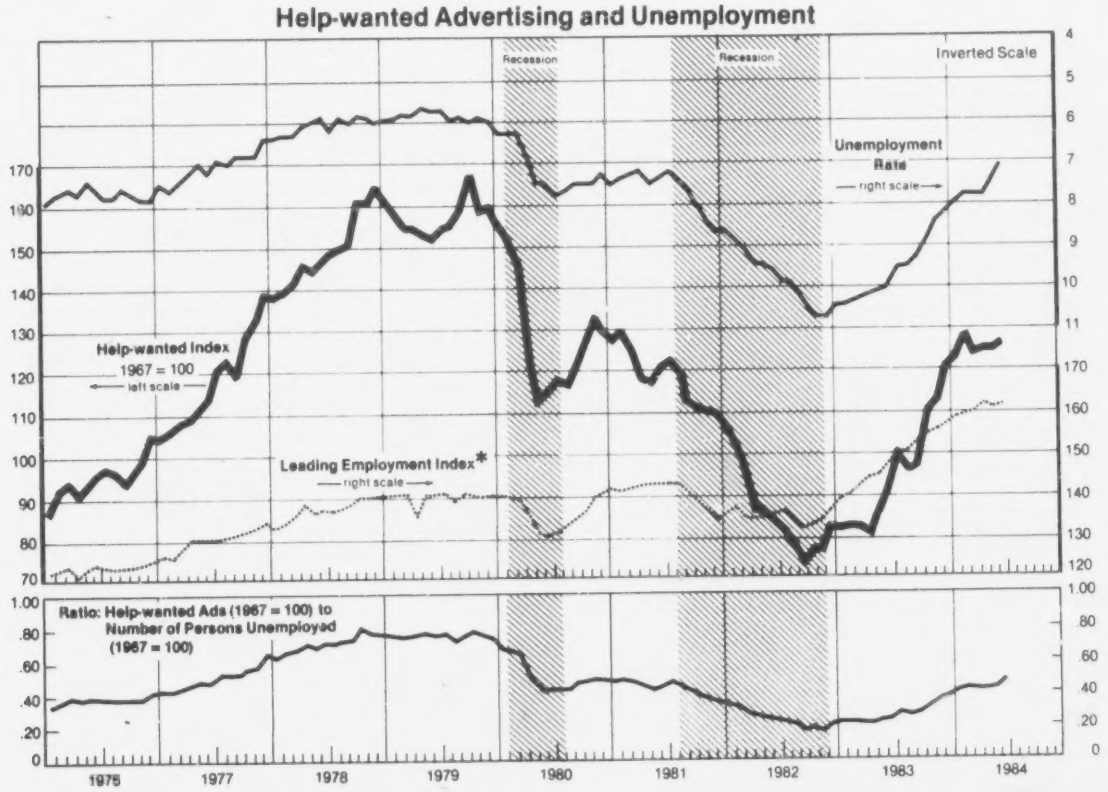
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	May	Apr.	Mar.	May
Total Index 51 papers	125	124	124	87
New England	141	137	133	94
Boston	159	155	151	107
Hartford	136	129	121	92
Providence	84	81	84	53
Middle Atlantic	58	58	57	45
Albany	123	120	124	77
Allentown	121	150	123	87
New York	53	50	50	43
Philadelphia	49	52	49	38
Pittsburgh	52	51	52	44
Rochester	63	69	63	43
Syracuse	85	87	82	58
East North Central	73	73r	71	46
Chicago	92	90	90	44
Cincinnati	87	90	87	66
Cleveland	44	48	44	36
Columbus	91	98	91	69
Dayton	59	59	57	46
Detroit	52	53	53	35
Gary	87	74	83	86
Indianapolis	78	74	58	56
Milwaukee	43	46	50	32
Toledo	82	84r	78	62
West North Central	73	75	73	50
Kansas City	97	93	94	69
Minneapolis	65	71	68	38
Omaha	109	119	114	85
St. Louis	57	57	54	42
South Atlantic	144	141	149	105
Atlanta	258	259	261	168
Baltimore	104	80	93	79
Charlotte	131	138	141	86
Jacksonville	191	186	195	157
Miami	78	80	94	65
Richmond	67	86	86	66
Washington, D.C.	142	143	151	103
East South Central	116	120r	117	84
Birmingham	126	114r	116	97
Knoxville	182	183	184	130
Louisville	65	61	61	45
Memphis	104	99	108	80
Nashville	142	185	155	95
West South Central	282	271	275	192
Dallas	412	367	389	242
Houston	336	339	343	242
New Orleans	141	146	129	112
Oklahoma City	150	153	147	124
San Antonio	210	209	201	154
Tulsa	146	138	137	108
Mountain	294	296r	282	192
Denver	188	234r	209	122
Phoenix	416	400	409	290
Salt Lake City	326	270	246	191
Pacific	184	186r	186	133
Los Angeles	144	148	150	101
Sacramento	289	297	290	213
San Bernardino	143	192	146	101
San Diego	366	357	380	239
San Francisco	200	185r	188	150
Seattle	183	186	185	158
Percentage of papers with rising volume	41%	53%	16%r	86%
Unemployment rate	7.5%	7.8%	7.8%	10.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1p						

Buying Plans Index

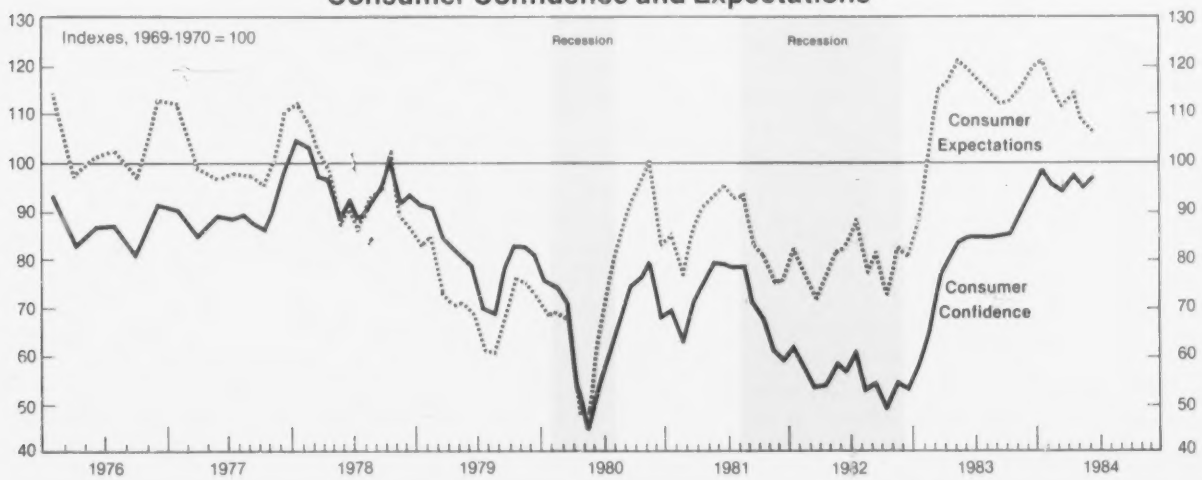
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1r	122.3p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

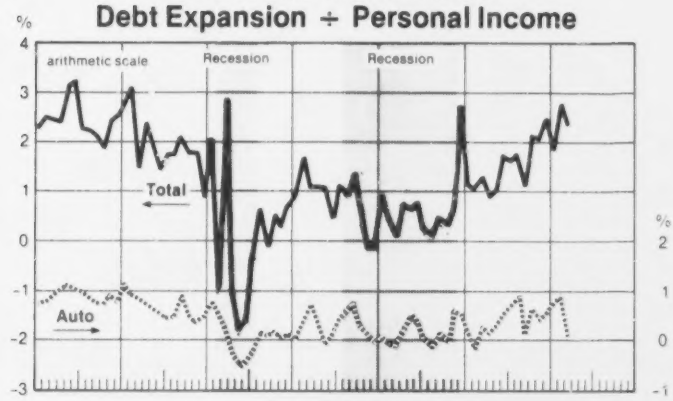
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

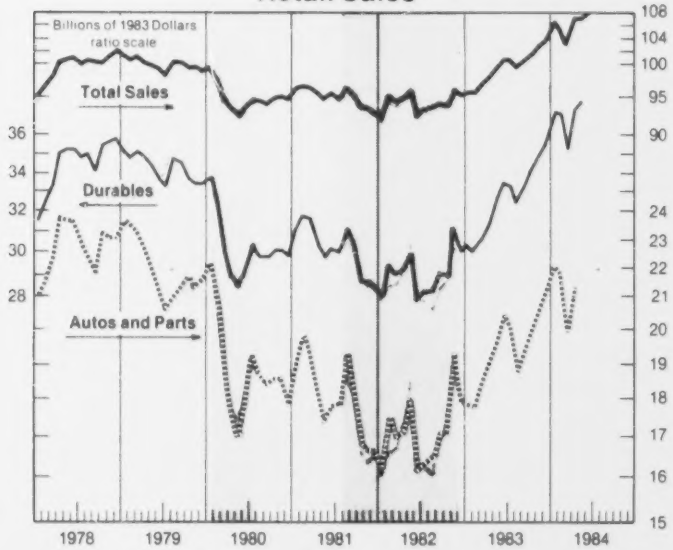
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



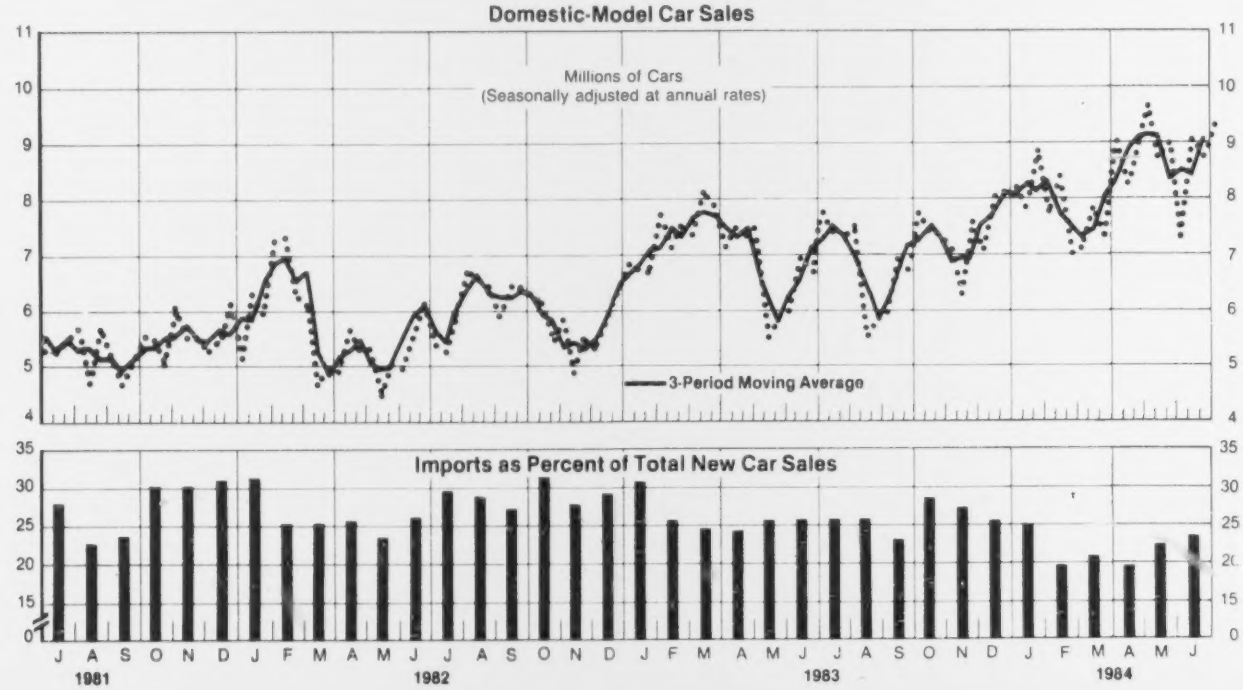
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
3-Period Moving Average
Imports as Percent of Total New Car Sales
J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J
1981
1982
1983
1984